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Report Highlights:

India is first choice: Wal Mart, *Retail FDI set to flow freely*, *Decision on Delhi's VAT wish*, *Commodities no longer essential forever*, *Parliament Panel wants food labs in all states*.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1]
[IN]

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U.S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included in this report. Significant issues will be expanded upon in subsequent reports from this office.

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INDIA IS FIRST CHOICE: WAL MART

While the government is still debating whether to allow 26% or 49% foreign direct investment (FDI) in the retail sector, Wal Mart Stores Inc. has declared India as its first choice for expansion. Elaborating on the company's international expansion plans, the chief executive of Wal-Mart said he saw India well ahead of all other markets, including Russia and Turkey. Although Wal-Mart does not have a retail presence in India, its Bangalore office sourced over \$300 million worth of goods directly and \$800 million worth through third party suppliers from India in 2004. With the large manufacturing base catering to India's growing consumer market, Wal-Mart sees excellent opportunities for expanding its supplier base in India. (Source: Financial Express, 4/23/05)

RETAIL FDI SET TO FLOW FREELY

The government wants minimal restrictions while allowing up to 49 percent foreign direct investment (FDI) in the retail sector. FDI will not be limited to metropolitan areas or restricted to branded dedicated retailing. All types of retailing, irrespective of product categories and size of shopping units would be eligible to receive FDI. According to a policy paper prepared by the Department of Industrial Policy and Promotion, FDI must result in backward linkages of production and manufacturing and spur domestic retailing as well as exports. (Source: Financial Express, 4/23/05)

DECISION ON DELHI'S VAT WISH

Delhi state is waiting for the outcome of the meeting of the Empowerment Committee of State Finance Ministers on Monday (April 25), which will consider the Delhi government's request to lower value added tax (VAT) on many goods, including almonds. The Delhi government had announced the lowering of tax rates on several items, but cannot implement the decision due to the Empowerment Committee's objection. The Delhi government had announced the lowering of VAT on dry fruits (including almonds) from 12.5 percent to four percent. The Empowerment Committee, however, declared that if other states do not have any objections, then Delhi will be allowed to go ahead with the concessions. The Empowerment Committee had earlier identified a list of 46 items of importance, out of which any state could decide on the tax structure on ten items, which Delhi exceeded. (Source: Hindustan Times, 4/25/05)

Post Comments: The proceedings of the meeting of the Empowerment Committee are still not available. Market sources report that the Delhi government forcefully argued for the tax concessions, but it may be difficult to convince the other states to agree.

COMMODITIES NO LONGER ESSENTIAL FOREVER

In a far-reaching reform, the government proposes to amend the Essential Commodities Act to void the list of items, including grains, edible oils and sugar, wherein it can intervene at will regarding their production, supply, and distribution. Instead, the government will

possess the power to declare an item “essential” in times of crisis. The cabinet will review the proposed law shortly, after which it has to be approved by the parliament. The biggest obstacle to the reform may be the United Progressive Alliance government's Common Minimum Program, which promised no further dilution of Essential Commodities Act. The politically left parties, who are supporting the government, are also likely to oppose the government's proposed move. (Source: The Economic Times, 4/17/05)

Post Comments: The Essential Commodities Act is a major impediment to investment, including foreign direct investment, in the agriculture and the food processing sectors—both of which the ruling coalition Singh Government is trying to develop.

PARLIAMENT PANEL WANTS FOOD LABS IN ALL STATES

The Parliamentary Standing Committee on Agriculture recommended that food testing laboratories be set up in each state under the direct control of the Ministry of Food Processing. The Committee said that imported processed food items should also be subjected to quality checks. (Source: Indian Express, 4/29/05)

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